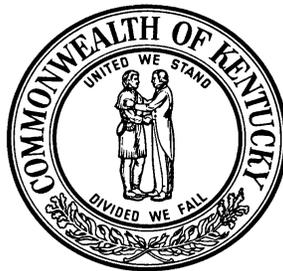


**REPORT OF THE AUDIT OF THE
KNOX COUNTY
CLERK**

**For The Year Ended
December 31, 2006**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE KNOX COUNTY CLERK

For The Year Ended
December 31, 2006

The Auditor of Public Accounts has completed the Knox County Clerk's audit for the year ended December 31, 2006. Based upon the audit work performed, the financial statement presents fairly in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees decreased by \$11,750 from the prior year, resulting in excess fees of \$155,598 as of December 31, 2006. Revenues increased by \$510,547 from the prior year and expenditures increased by \$522,297.

Debt Obligations:

Total debt principal as of December 31, 2006, was \$8,071. Future collections of \$9,784 are needed over the next three years to pay all debt principal and interest.

Report Comments:

- 2006-1 The County Clerk Should Reimburse The 2006 Fee Account For Disallowed Mileage
- 2006-2 The County Clerk Should Comply With KRS 186A.115(1)(c) By Charging An Additional Ten Dollar Trip Fee For Performing Offsite Vehicle Inspections
- 2006-3 Vehicle Inspection Fees Collected By The County Clerk Should Be Payable To The Sheriff
- 2006-4 The County Clerk Should Pay Expenditures Out Of The Correct Fee Account
- 2006-5 The County Clerk's Quarterly Financial Report Is Not The Correct Format Required By The Governor's Office For Local Development
- 2006-6 The County Clerk Should Monitor The Budget And Make Amendments As Necessary
- 2006-7 The Information Generated By The County Clerk's Software Did Not Provide Correct Information For The Fourth Quarter Financial Report
- 2006-8 The County Clerk's Office Lacks Adequate Segregation of Duties

Deposits:

The County Clerk's deposits as of December 31, 2006 were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$54,067

The County Clerk's deposits were covered by FDIC insurance and a properly executed collateral security agreement, but the bank did not adequately collateralize the County Clerk's deposits in accordance with the security agreement.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable J. M. Hall, Knox County Judge/Executive
Honorable Mike Corey, Knox County Clerk
Members of the Knox County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Knox County, Kentucky, for the year ended December 31, 2006. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Clerk for the year ended December 31, 2006, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated August 10, 2007 on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable J.M. Hall, Knox County Judge/Executive
Honorable Mike Corey, Knox County Clerk
Members of the Knox County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2006-1 The County Clerk Should Reimburse The 2006 Fee Account For Disallowed Mileage
- 2006-2 The County Clerk Should Comply With KRS 186A.115(1)(c) By Charging An Additional Ten Dollar Trip Fee For Performing Office Vehicle Inspections
- 2006-3 Vehicle Inspection Fees Collected By The County Clerk Should Be Payable To The Sheriff
- 2006-4 The County Clerk Should Pay Expenditures Out Of The Correct Fee Account
- 2006-5 The County Clerk's Quarterly Financial Report Is Not The Correct Format Required By The Governor's Office For Local Development
- 2006-6 The County Clerk Should Monitor The Budget And Make Amendments As Necessary
- 2006-7 The Information Generated By The County Clerk's Software Did Not Provide Correct Information For The Fourth Quarter Financial Report
- 2006-8 The County Clerk's Office Lacks Adequate Segregation of Duties

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Knox County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

August 10, 2007

KNOX COUNTY
MIKE COREY, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2006

Revenues

State Fees For Services	\$	15,983	
Fiscal Court			1,200
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	885,310	
Usage Tax		3,816,037	
Tangible Personal Property Tax		1,805,253	
Lien Release		10,660	
Miscellaneous		6,063	
Other-			
Fish and Game Licenses		4,184	
Marriage Licenses		9,384	
Occupational Licenses		266	
Deed Transfer Tax		40,362	
Delinquent Tax		<u>693,816</u>	7,271,335
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts		18,029	
Real Estate Mortgages		29,862	
Chattel Mortgages and Financing Statements		93,304	
Powers of Attorney		2,068	
Bail Bonds		3,864	
Fixture Filing		391	
Leases		4,063	
Liens & Lis Pendens		4,143	
Releases		10,305	
Wills & Estate Settlements		776	
Affordable Housing Trust Fund		15,624	
Miscellaneous Recordings		<u>15,075</u>	197,504
Charges for Other Services-			
Candidate Filing Fees		4,090	
Copywork		<u>16,815</u>	20,905
Other:			
Postage			898
Refunds			19,134
Interest Earned			<u>2,300</u>
Total Revenues			<u>\$ 7,529,259</u>

The accompanying notes are an integral part of this financial statement.

KNOX COUNTY
MIKE COREY, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2006
(Continued)

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 667,129

Usage Tax 3,700,943

Tangible Personal Property Tax 703,040

Licenses, Taxes, and Fees-

Fish and Game Licenses 4,184

Delinquent Tax 102,318

Legal Process Tax 24,757

Affordable Housing Trust Fund 15,624 \$ 5,217,995

Payments to Fiscal Court:

Tangible Personal Property Tax 167,534

Delinquent Tax 90,801

Deed Transfer Tax 35,365

Occupational Licenses 210 293,910

Payments to Other Districts:

Tangible Personal Property Tax 865,153

Delinquent Tax 359,904 1,225,057

Payments to Sheriff

11,416

Payments to County Attorney

82,470

Operating Expenditures:

Personnel Services-

Deputies' Salaries 257,680

Contract Labor 585

Employee Benefits-

Employer's Share Social Security and Retirement 71,125

Employer's Paid Health Insurance 33,546 362,936

Contracted Services-

Accounting Services 4,200

Audit Services 3,000

Printing and Binding 28,615 35,815

Materials and Supplies-

Office Supplies 15,384

The accompanying notes are an integral part of this financial statement.

KNOX COUNTY
MIKE COREY, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2006
(Continued)

Expenditures (Continued)

Operating Expenditures: (Continued)

Other Charges-

Dues	\$	1,425	
Postage		5,055	
Bank Service Charges		310	
Insurance and Bonds		355	
Miscellaneous		<u>4,707</u>	\$ 11,852

Refunds 24,391

Debt Service:

Lease Purchases And Maintenance 7,582

Total Expenditures \$ 7,288,808

Less: Disallowed Expenditures

Mileage-Vehicle Inspections For Sheriff 1,296

Total Allowable Expenditures 7,287,512

Net Revenues 241,747

Less: Statutory Maximum 79,247

Excess Fees 162,500

Less: Expense Allowance 3,600

Training Incentive Benefit 3,302 6,902

Excess Fees Due County for 2006 155,598

Payment to Fiscal Court - March 12, 2007 154,302

Balance Due County at Completion of Audit \$ 1,296

The accompanying notes are an integral part of this financial statement.

NOTES TO FINANCIAL STATEMENT

December 31, 2006

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2006 services
- Reimbursements for 2006 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2006

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

KNOX COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2006
 (Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 10.98 percent for the first six months and 13.19 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2006, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. However, as of December 31, 2006, public funds were exposed to custodial credit risk because the bank did not adequately collateralize the County Clerk's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured \$54,067

KNOX COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2006
 (Continued)

Note 4. Leases

- A. The Office of the County Clerk was committed to a lease agreement with Xerox for a copy machine. The agreement requires a monthly payment of \$137 for sixty (60) months to be completed on June 31, 2009. The principal balance of the agreement was \$3,728 as of December 31, 2006.
- B. The Office of the County Clerk was committed to a lease agreement with Pitney Bowes for a postage machine. The agreement requires a monthly payment of \$160 for fifty-one (51) months to be completed on December 31, 2009. The principal balance of the agreement was \$4,343 as of December 31, 2006.

The County Clerk's office was committed to the following lease agreements as of December 31, 2006:

Item Purchased	Monthly Payment	Term Of Agreement	Ending Date	Principal Balance December 31, 2006
Copy Machine	\$ 137	60 Months	06-31-2009	\$ 3,728
Postage Machine	\$ 160	51 Months	12-31-2009	\$ 4,343

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable J.M. Hall, Knox County Judge/Executive
Honorable Mike Corey, Knox County Clerk
Members of the Knox County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Knox County Clerk for the year ended December 31, 2006, and have issued our report thereon dated August 10, 2007. The County Clerk's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Knox County Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Knox County Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Knox County Clerk's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying comments and recommendations to be significant deficiencies in internal control over financial reporting: 2006-7 and 2006-8.



Report on Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe that the significant deficiencies described above are material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Knox County Clerk's financial statement for the year ended December 31, 2006, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations: 2006-1, 2006-2, 2006-3, 2006-4, 2006-5, and 2006-6.

The Knox County Clerk's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the County Clerk's responses, and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Knox County Fiscal Court, and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

August 10, 2007

COMMENTS AND RECOMMENDATIONS

KNOX COUNTY
MIKE COREY, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2006

STATE LAWS AND REGULATIONS:

2006-1 The County Clerk Should Reimburse The 2006 Fee Account For Disallowed Mileage

During our test of expenditures, we noted that the County Clerk is performing vehicle inspections pursuant to an agreement with the Knox County Sheriff. The County Clerk regularly visits his branch office, usually three (3) days per week. During these trips the County Clerk also performs vehicle inspections as requested by local automobile dealerships. The County Clerk charged an additional 3,600 miles over the course of 2006 to do these inspections. The County Clerk reimbursed himself \$1,296 for these trips from his fee account. This expense should have been charged to the Sheriff or to the County as the County Clerk was performing a duty of the Sheriff. Pursuant to Funk Vs. Milliken, any expense that is not a required or necessary expense of the fee official must be disallowed. Therefore, we recommend the County Clerk reimburse the 2006 fee account \$1,296 for the disallowed expenditure. This in turn, should be paid to the Knox County Fiscal Court as additional excess fees.

County Clerk's Response: This mileage was paid to me for County business, doing vehicle inspections in Corbin, Ky. I will discuss this with the Fiscal Court.

Auditor's Reply: The mileage was not an allowable expense of the County Clerk's office because vehicle inspection is not an official duty of the County Clerk.

2006-2 The County Clerk Should Comply With KRS 186A.115(1)(c) By Charging An Additional Ten Dollar Trip Fee For Performing Offsite Vehicle Inspections

During our test of expenditures we noted that the County Clerk is performing vehicle inspections on behalf of the Knox County Sheriff. The County Clerk properly collects the \$5 fee as required by KRS 186A.115(1)(b). However, the County Clerk does not collect the \$10 additional fee for the on-site visits as required by KRS 186A.115(1)(c). KRS 186A.115(1)(c) states, "There shall be an additional fee of ten dollars (\$10) per trip when it becomes necessary for the certified inspector to travel to the site of the vehicle rather than bringing the vehicle to the sheriff's inspection area." We recommend the County Clerk comply with KRS 186A.115(1)(c) by collecting the additional fee of ten dollars (\$10) per trip.

County Clerk's Response: I thought the \$10.00 fee was optional. I will discuss this with the Sheriff and the Judge/Executive.

2006-3 Vehicle Inspection Fees Collected By The County Clerk Should Be Payable To The Sheriff

During our test of expenditures we noted that the County Clerk is performing vehicle inspections on behalf of the Knox County Sheriff. KRS 186A.115(1)(b) states, "There shall be a five dollar (\$5) fee for this certification, payable to the sheriff's office, upon completion of certification." The County Clerk correctly collects the \$5 fee. However, fees collected are not always made payable to the Sheriff's office as required by KRS 186A.115(1)(b). We recommend the County Clerk comply with KRS 186A.115(1)(b) by requiring all vehicle inspection fees be payable to the Knox County Sheriff's office.

County Clerk's Response: 90% of Fees are made by check payable to the Knox Co. Sheriff.

KNOX COUNTY
MIKE COREY, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2006
(Continued)

STATE LAWS AND REGULATIONS: (CONTINUED)

2006-4 The County Clerk Should Pay Expenditures Out Of The Correct Fee Account

The County Clerk paid two 2005 invoices from the 2006 fee account. At the time the expenditures were made, the 2005 Fee Account was open and had funds available to pay the expenditures. We recommend that in the future the County Clerk pay expenditures out of the correct fee account.

County Clerk's Response: We will correct this in the future.

2006-5 The County Clerk's Quarterly Financial Report Is Not The Correct Format Required By The Governor's Office For Local Development

The County Clerk's Quarterly Financial Report does not agree to the format required by the Governor's Office for Local Development (GOLD). The Quarterly Report used by the County Clerk does not list accounts receivable and unpaid liabilities with the corresponding account line item. KRS 68.210 gives GOLD the authority to prescribe the uniform system of accounts, which includes the quarterly report that should have been used by the County Clerk. We recommend the County Clerk comply with the Uniform System Of Accounts by using the correct format when preparing the quarterly report.

County Clerk's Response: Steps are being taken to correct this problem.

2006-6 The County Clerk Should Monitor The Budget And Make Amendments As Necessary

The County Clerk did not monitor the budget approved by the Fiscal Court to ensure that disbursements during the year were within the budget. The County Clerk overspent the approved 2006 budget by \$348,333. We recommend the County Clerk monitor the budget and make amendments to the budget as necessary to ensure that disbursements are within the approved budget.

County Clerk's Response: New York Firm purchased \$211,000 in Delinquent Tax bills on December 7, 2006. We will monitor better in the future.

INTERNAL CONTROL – SIGNIFICANT DEFICIENCY:

2006-7 The Information Generated By The County Clerk's Software Did Not Provide Correct Information For The Fourth Quarter Financial Report

The quarterly report submitted to the Governor's Office for Local Development (GOLD) and to Fiscal Court was not accurate. The auditors found that the line item totals per the quarterly report were overstated by \$10,603 and \$6,092 for receipts and disbursements, respectively. The auditor found that the totals per quarterly report did agree to the totals per ledgers before refunds or other adjustments were made. We recommend the County Clerk provide additional training or upgrade

KNOX COUNTY
 MIKE COREY, COUNTY CLERK
 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2006
 (Continued)

INTERNAL CONTROL – SIGNIFICANT DEFICIENCY: (CONTINUED)

2006-7 The Information Generated By The County Clerk’s Software Did Not Provide Correct Information For The Fourth Quarter Financial Report (Continued)

the computer system to make sure that the reports accurately reflect the receipts and disbursements of the County Clerk’s office. We further recommend the County Clerk submit a corrected quarterly report to GOLD.

County Clerk’s Response: Steps are being taken to correct this problem.

2006-8 The County Clerk’s Office Lacks Adequate Segregation of Duties

During audit testing and review of internal controls, we noted a significant control deficiency in the County Clerk’s internal control structure. One deputy receives cash (from customers and by mail), prepares daily checkout, takes deposits to the bank, posts daily checkout sheet to ledger, prepares invoices for payment, prepares checks, posts disbursements to ledger, reconciles bank accounts, and creates monthly and quarterly reports.

We recommend the County Clerk help mitigate the effects of this control deficiency by instituting the following controls:

- Assign a separate employee to list mail receipts.
- Assign one employee to prepare daily checkout and another employee to prepare bank deposit. This could be documented by having the employees initialing the checkout sheets and the deposit ticket.
- The County Clerk or a deputy not connected with daily checkout or bank deposit preparation should take the daily deposit to the bank and document this by initialing the bank deposit ticket.
- The County Clerk or another employee should review receipts and disbursements ledgers and agree those to the daily checkout sheets and the check register. This could be documented by having the County Clerk or employee conducting the review initialing the monthly reports.
- The County Clerk should periodically recount and deposit cash receipts and document this by initialing the checkout sheet and deposit ticket.
- The County Clerk should review the insufficient funds checks investigated by the bookkeeper. This could be documented by having the County Clerk initialing his copy of the letter sent to the customer.
- The County Clerk should retain control of all disbursements until mailed and should distribute the payroll checks.
- All checks should have had two (2) signatures, with one being the County Clerk’s.

County Clerk’s Response: Due to financial constraints we have a limited staff.

